Hibiscus Coast Municipality
Financial Statements for the year ended 30 June 2015

General Information

Legal form of entity	MFMA
Nature of business and principal activities	Local Municipality
Executive committee	
Executive committee members	Cllr NC Mqwebu
	Cllr R Nair (Speaker)
	Cllr De Wet (Deputy Mayor)
	Cllr DH Njoko
	Cllr Rademeyer
	Cllr NA Madlala
	Cllr S Maphumulo (Chief Whip)
	Cllr MT Lubanyana
	Cllr JS Ngwane
	Cllr D Rawlins
	Cllr D Watson
Grading of local authority	Grade 4
	High capacity (KZN216)
Accounting Officer	Sihle Maxwell Mbili
Chief Finance Officer (CFO)	N Gqola
Registered office	10 Connor Street
	Port Shepstone
	4240
Business address	10 Connor Street
	Port Shepstone
	4240
Postal address	P.O BOX 5
	Port Shepstone
	4240
Bankers	Nedbank
Auditors	Auditor-General
Preparer	The financial statements were independently compiled by:
	Dumisani M Zulu CMA . B.Compt AGA(SA) AIMFO (Bonakude Consulting)
Published	01 December 2015

Index

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

The financial statements set out on pages 3 to 76, which have been prepared on the going concern basis, were approved by the accounting officer on 30 June 2016 and were signed on its behalf by:

Sihle Maxwell Mbili
Designation

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014
Assets			
Current Assets			
Long-term receivables	7	898 443	1 271 921
Inventories	9	2 542 561	3 137 502
Receivables from non-exchange transactions	10	61 199 008	53 197 286
VAT receivable	11	18 122 867	7 683 631
Receivables from exchange transactions	12	123 825 196	122 605 474
Cash and cash equivalents	13	91 828 756	150 715 422
		298 416 831	**338 611 236**
Non-Current Assets			
Investment property	3	236 000 695	246 031 478
Property, plant and equipment	4	992 789 656	972 819 512
Intangible assets	5	402 715	540 653
Heritage assets	6	1 654 951	1 657 451
Long-term receivables	7	8 237 153	8 762 119
		1 239 085 170	**1 229 811 213**
Total Assets		**1 537 502 001**	**1 568 422 449**
Liabilities			
Current Liabilities			
Long-term liabilities	17	6 739 934	6 373 764
Payables from exchange transactions	19	112 236 136	116 557 432
Consumer deposits	20	20 273 631	19 328 882
Post retirement health care benefits liability	8	2 571 000	2 640 000
Unspent conditional grants and receipts	16	14 644 327	8 089 099
Provisions	18	30 454 809	26 748 000
Long service awards benefits liability	8	1 592 000	1 617 000
		188 511 837	**181 354 177**
Non-Current Liabilities			
Long-term liabilities	17	34 655 437	40 710 492
Post retirement health care benefits liability	8	69 205 000	58 878 000
Long service awards benefits liability	8	11 049 000	14 305 000
		114 909 437	**113 893 492**
Total Liabilities		**303 421 274**	**295 247 669**
Net Assets		**1 234 080 727**	**1 273 174 780**
Reserves			
Revaluation reserve		394 498 479	394 498 479
Accumulated surplus		839 582 248	878 676 301
Total Net Assets		**1 234 080 727**	**1 273 174 780**

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014
Revenue			
Revenue from exchange transactions			
Service charges	24	136 038 622	127 014 572
Rental of facilities and equipment		2 673 069	2 309 352
Interest received -Outstanding consumer debtors		7 670 684	9 381 701
Agency services		4 341 233	4 321 479
Licences and permits		4 896 625	5 510 732
Other income	27	30 694 659	16 360 874
Interest received - investment	32	3 783 405	5 503 599
Total revenue from exchange transactions		**190 098 297**	**170 402 309**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	290 833 326	278 498 313
Property rates - penalties imposed	23	134 771	160 499
Transfer revenue			
Government grants & subsidies	25	180 463 323	169 190 674
Fines, Penalties and Forfeits		29 872 986	38 009 367
Total revenue from non-exchange transactions		**501 304 406**	**485 858 853**
Total revenue	22	**691 402 703**	**656 261 162**
Expenditure			
Employee related costs	29	289 557 604	279 814 311
Remuneration of councilors	30	19 370 974	17 836 788
Depreciation and amortisation	34	57 887 169	55 392 334
Impairment loss	35	14 757 135	214 017
Finance costs	36	5 262 125	5 909 705
Debt Impairment	31	3 357 927	1 926 289
Repairs and maintenance		54 308 372	36 609 436
Bulk purchases	38	71 818 570	67 662 468
Contracted services	37	28 639 545	27 420 689
Transfers and Subsidies		5 868 248	5 777 196
General expenses	28	167 291 762	149 829 185
Total expenditure		**718 119 431**	**648 392 418**
Operating (deficit) surplus		**(26 716 728)**	**7 868 744**
(Write down) reversal of inventory write down		-	70 151
Fair value adjustments	33	(10 030 783)	1 201 146
Loss/(Gain) on sale of property plant and equipment		(712 669)	1 264 106
		(10 743 452)	**2 535 403**
(Deficit) surplus for the year		**(37 460 180)**	**10 404 147**

Hibiscus Coast Municipality
Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2013	**395 427 206**	**886 843 217**	**1 282 270 423**
Changes in net assets			
Surplus for the year	-	10 404 147	10 404 147
Change in estimate PPE	-	(34 207)	(34 207)
Offsetting of depreciation	(928 727)	928 727	-
Total changes	(928 727)	11 298 667	10 369 940
Opening balance as previously reported	394 498 479	898 141 884	1 292 640 363
Adjustments			
Change in accounting policy (Note 2)	-	426 950	426 950
Prior year adjustments	-	(19 892 533)	(19 892 533)
Balance at 01 July 2014 as restated*	**394 498 479**	**878 676 301**	**1 273 174 780**
Changes in net assets			
Surplus for the year	-	(37 460 179)	(37 460 179)
Transfers to(from) Reserves	-	(1 633 874)	(1 633 874)
Total changes	-	(39 094 053)	(39 094 053)
Balance at 30 June 2015	**394 498 479**	**839 582 248**	**1 234 080 727**

Hibiscus Coast Municipality
Financial Statements for the year ended 30 June 2015

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014
Cash flows from operating activities			
Receipts			
Taxation		287 748 113	278 658 812
Sale of goods and services		106 123 020	171 806 804
Grants		171 822 824	169 206 694
Interest income		3 783 405	5 503 599
Interest received- Outstanding consumer debtors		7 670 684	9 381 701
		577 148 046	634 557 610
Payments			
Employee costs and suppliers		(289 557 607)	(279 814 308)
Suppliers		(253 247 263)	(265 399 744)
Finance costs		(5 262 125)	(5 909 705)
		(548 066 995)	(551 123 757)
Net cash flows from operating activities	39	**29 081 051**	**83 433 853**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(79 800 314)	(78 720 590)
Proceeds from sale of property, plant and equipment	4	1 651 665	-
Changes in PPE	3&43	(4 105 175)	-
Purchase of other intangible assets	5	-	(1 602)
Purchases of heritage assets	6	-	(98 893)
Movements in other financial assets		-	1 359 957
Net cash flows from investing activities		**(82 253 824)**	**(77 461 128)**
Cash flows from financing activities			
Repayment of long-term liabilities		(5 688 893)	(5 879 340)
Movement in other liability		(25 000)	498 000
Net cash flows from financing activities		**(5 713 893)**	**(5 381 340)**
Net increase/(decrease) in cash and cash equivalents		**(58 886 666)**	**591 385**
Cash and cash equivalents at the beginning of the year		150 715 422	150 124 126
Cash and cash equivalents at the end of the year	13	**91 828 756**	**150 715 422**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	151 968 012	-	**151 968 012**	136 038 622	**(15 929 390)**	52
Rental of facilities and equipment	3 299 208	-	**3 299 208**	2 673 069	**(626 139)**	52
Interest received	10 056 781	-	**10 056 781**	7 670 684	**(2 386 097)**	52
Agency services	4 558 000	-	**4 558 000**	4 341 233	**(216 767)**	52
Licences and permits	6 784 558	-	**6 784 558**	4 896 625	**(1 887 933)**	52
Other income	21 560 495	-	**21 560 495**	30 694 659	**9 134 164**	52
Interest received - investment	5 856 122	-	**5 856 122**	3 783 405	**(2 072 717)**	52
Total revenue from exchange transactions	**204 083 176**	**-**	**204 083 176**	**190 098 297**	**(13 984 879)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	309 629 701	-	**309 629 701**	290 833 326	**(18 796 375)**	52
Property rates - penalties imposed	136 534	-	**136 534**	134 771	**(1 763)**	52
Transfer revenue						
Government grants & subsidies	179 546 000	-	**179 546 000**	180 463 323	**917 323**	52
Fines, Penalties and Forfeits	11 633 333	-	**11 633 333**	29 872 986	**18 239 653**	52
Total revenue from non-exchange transactions	**500 945 568**	**-**	**500 945 568**	**501 304 406**	**358 838**	
Total revenue	**705 028 744**	**-**	**705 028 744**	**691 402 703**	**(13 626 041)**	
Expenditure						
Personnel	(274 899 880)	(41 055 000)	**(315 954 880)**	(289 557 604)	**26 397 276**	52
Remuneration of councillors	(17 581 696)	(2 068 000)	**(19 649 696)**	(19 370 974)	**278 722**	52
Depreciation and amortisation	(53 358 230)	(4 702 000)	**(58 060 230)**	(58 060 230)	**-**	
Impairment loss/ Reversal of impairments	-	-	**-**	(14 757 135)	**(14 757 135)**	52
Finance costs	(5 000 000)	(2 116 000)	**(7 116 000)**	(5 262 125)	**1 853 875**	52
Bad debts written off	(2 000 000)	(529 000)	**(2 529 000)**	(3 357 927)	**(828 927)**	52
Repairs and maintenance	(53 358 230)	(3 737 000)	**(57 095 230)**	(54 308 372)	**2 786 858**	52
Bulk purchases	(69 588 568)	-	**(69 588 568)**	(71 818 570)	**(2 230 002)**	52
Contracted Services	(26 386 373)	(8 637 000)	**(35 023 373)**	(28 639 545)	**6 383 828**	52
Transfers and Subsidies	(5 400 975)	(506 000)	**(5 906 975)**	(5 868 248)	**38 727**	52
General Expenses	(197 454 792)	(50 132 000)	**(247 586 792)**	(153 855 639)	**93 731 153**	52
Total expenditure	**(705 028 744)**	**(113 482 000)**	**(818 510 744)**	**(704 856 369)**	**113 654 375**	
Operating deficit	**-**	**(113 482 000)**	**(113 482 000)**	**(13 453 666)**	**100 028 334**	
Fair value adjustments	-	-	**-**	(10 030 783)	**(10 030 783)**	52
Loss on non-current assets held for sale or disposal groups	-	-	**-**	(712 669)	**(712 669)**	52
	-	**-**	**-**	**(10 743 452)**	**(10 743 452)**	
Deficit before taxation	**-**	**(113 482 000)**	**(113 482 000)**	**(24 197 118)**	**89 284 882**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**(113 482 000)**	**(113 482 000)**	**(37 460 179)**	**76 021 821**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2015											
Financial Performance											
Property rates	309 629 701	-	309 629 701	-		309 629 701	290 968 097		(18 661 604)	94 %	94 %
Service charges	151 967 992	-	151 967 992	-		151 967 992	136 038 622		(15 929 370)	90 %	90 %
Investment revenue	5 856 122	-	5 856 122	-		5 856 122	3 783 405		(2 072 717)	65 %	65 %
Transfers recognised - operational	179 546 000	-	179 546 000	-		179 546 000	135 289 698		(44 256 302)	75 %	75 %
Other own revenue	58 029 000	-	58 029 000	-		58 029 000	50 276 272		(7 752 728)	87 %	87 %
Total revenue (excluding capital transfers and contributions)	**705 028 815**	**-**	**705 028 815**	**-**		**705 028 815**	**616 356 094**		**(88 672 721)**	**87 %**	**87 %**
Employee costs	(274 899 880)	(41 055 000)	(315 954 880)	-	-	(315 954 880)	(289 557 604)	-	26 397 276	92 %	105 %
Remuneration of councillors	(15 581 696)	(2 068 000)	(17 649 696)	-	-	(17 649 696)	(19 370 974)	-	(1 721 278)	110 %	124 %
Debt impairment	(2 000 000)	(529 000)	(2 529 000)			(2 529 000)	(3 357 927)	-	(828 927)	133 %	168 %
Depreciation and asset impairment	(51 346 614)	(4 702 000)	(56 048 614)			(56 048 614)	(72 644 304)	-	(16 595 690)	130 %	141 %
Finance charges	(5 000 000)	(2 116 000)	(7 116 000)	-	-	(7 116 000)	(5 262 125)	-	1 853 875	74 %	105 %
Materials and bulk purchases	(69 588 568)	-	(69 588 568)	-	-	(69 588 568)	(71 818 570)	-	(2 230 002)	103 %	103 %
Transfers and grants	(5 400 975)	(507 000)	(5 907 975)	-	-	(5 907 975)	(5 868 248)	-	39 727	99 %	109 %
Other expenditure	(281 211 082)	(62 505 000)	(343 716 082)	-	-	(343 716 082)	(185 936 518)	-	157 779 564	54 %	66 %
Total expenditure	**(705 028 815)**	**(113 482 000)**	**(818 510 815)**	**-**	**-**	**(818 510 815)**	**(653 816 270)**	**-**	**164 694 545**	**80 %**	**93 %**
Surplus/(Deficit)	**-**	**(113 482 000)**	**(113 482 000)**	**-**		**(113 482 000)**	**(37 460 176)**		**76 021 824**	**33 %**	**DIV/0 %**
Surplus/(Deficit) for the year	**-**	**(113 482 000)**	**(113 482 000)**	**-**		**(113 482 000)**	**(37 460 176)**		**76 021 824**	**33 %**	**DIV/0 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	100 630 247	-	100 630 247	-		100 630 247	79 154 267		(21 475 980)	79 %	79 %
Sources of capital funds											
Transfers recognised - capital	58 413 827	-	58 413 827	-		58 413 827	-		(58 413 827)	- %	- %
Internally generated funds	42 216 420	8 841 000	51 057 420	-		51 057 420	-		(51 057 420)	- %	- %
Total sources of capital funds	**100 630 247**	**8 841 000**	**109 471 247**	**-**		**109 471 247**	**-**		**(109 471 247)**	**- %**	**- %**

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In the application of the municipality's accounting policies , which are described below , management is required to make judgements ,estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances , the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements.

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The calculation in respect of the impairment of Trade receivables is based on an assessment of the extent to which Trade receivables have defaulted on payments already due,and an assessment of their ability to make payments based on their creditworthiness. Thi is performed per service-identifiable categories accross all classes of Trade receivables.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

1.3 Significant judgements and sources of estimation uncertainty (continued)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred for each group of assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives of property ,plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for the property ,plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant notes to the annual financial statements

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

1.4 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

1.5 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period .

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Asset Class	**Average useful life**
Infrastructure	
• Roads and paving	5-30 years
• Electricity	10-30 years
• Solid waste and disposal	10-30 years
Community Assets	
• Recreational facilities	20-30 years
• Buildings and other structures	20-30 years
• Improvements	20-30 years

1.5 Property, plant and equipment (continued)

Land and buildings	
• Dwellings	10-30 years
• Non-residential dwellings	10-30 years
Other Assets	
• Bins and containers	5-10 years
• Computers and office equipment	4-5 years
• Furniture and fittings	5-10 years
• General motor vehicles	4-5 years
• Specialised motor vehicles	15-20 years
• Plant and equipment	1-15 years
• Security measures	4-5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

1.6 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software, other	5 years
Servitudes	Indefinite

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably. Where the municipality holds a heritage asset,but on initial recognition ,it does not meet the recognition criteria because it cannot be reliably measured,information on such heritage asset is disclosed in the note on heritage assets.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

1.7 Heritage assets (continued)

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality's statement of financial position.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another municipality; or
- a contractual right to:
  - receive cash or another financial asset from another municipality; or
  - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by the municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

1.8 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Receivables from Exchange Transactions	Financial Asset at Amortised Cost
Receivables from Non-exchange Transactions	Financial Asset at Amortised Cost
Bank,Cash and Cash Equivalents : Call Deposits	Financial Asset at Fair Value
Bank,Cash and Cash Equivalents: Bank	Financial Asset at Fair Value
Bank, Cash and Cash Equivalents: Cash	Financial Asset at Fair Value
Short-term Portion of Long-term Debtors	Financial Asset at Amortised Cost
Long-term Debtors	Financial Asset at Amortised Cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liability at Amortised Cost
Payables from Exchange Transactions	Financial Liability at Amortised Cost
Payables from Non-exchange Transactions	Financial Liability at Amortised Cost
Current Portion of Long-term liabilities	Financial Liability at Amortised Cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

1.8 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Trade and other receivables

Long-term and short-term trade receivables are intially recognised at fair value , and are subsequently measured at amortised cost method, less provision for impairment. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end in detail . The recoverability of debt owing by each debtor in the top 40% is assessed and irrecoverable amount is provided for. The remaining 60% of debtors is classified based on category and area . Each classification is analysed and based on the circumstances , the recoverability is determined and the irrecoverable amounts are provided for. No provision is calculated for government debts and property rates as these cannot be written off.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables and the amount of the loss is recognised in the Statement of financial performance within operating expenses.

Trade and other payables

Trade payables (Including consumer deposits) are initially measured at fair value , and are subsequently measured at amortised cost using the effective interest rate method.

Liabilities for annual leave (accrued leave pay) are recognised as they accrue to employees and is based on the value of the accrued leave credits as at 30 June .

1.8 Financial instruments (continued)

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits) . Cash equivalents are short-term highly liquid investments , readily convertible into known amounts of cash , that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purpose of the Cash flow statement , cash and cash equivalents comprise cash on hand , deposits held on call with banks, net of bank overdrafts.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight -line basis.

Any contingent rents are expensed in the period in which they are incurred.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

1.10 Inventories (continued)

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

Basis for estimates of future cash flows

In measuring value in use the municipality:

1.11 Impairment of cash-generating assets (continued)

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and

1.11 Impairment of cash-generating assets (continued)

- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13 Employee benefits

Employee benefits are all forms of consideration given by the municipality in exchange for service rendered by employees.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municiplaity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.13 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by the municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

1.13 Employee benefits (continued)

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality shall attribute benefit to periods of service under the plan’s benefit formula. However, if an employee’s service in later years will lead to a materially higher level of benefit than in earlier years, the municipality shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.14 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

The municipality has an obligation to rehabilitate its landfill site in terms of licence stipulations. A provision was established from 2007/08. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

1.15 Revenue from exchange transactions (continued)

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Interest

Interest earned on investments is recognised on a time proportionate basis that takes into account the effective yield on the investments. Interest earned on outstanding debtors is recognised on a time proportionate basis.

Service charges

Service charges relating to electricity are based on consumption. Waste removal is based on the size of the bin and the number of times it is collected. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are recognised as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. Waste removal services are billed on a monthly basis.

Income from agency services

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified .The income recognised is in terms of an agency agreement.

Services provided on a prepayment basis

Various services are provided on a prepayment basis in which no formal billing takes place and revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Non-exchange transactions are transactions that are not exchange transactions . In a non-exchange transactions , a municipality either receives value from another municipality without directly giving approximately equal value in exchange , or gives value to another municipality without directly receiving approximately equal value in exchange.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

1.16 Revenue from non-exchange transactions (continued)

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arise . Collection charges are recognised when such amounts are legally enforceable . Penalty interest on unpaid rates is recognised on a Time-proportionate Basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed . Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The full amount of traffic fines is recognised at the initial transaction date and subsequent to initial recognition the best estimate is made to assess the probability of collecting traffic fines issued.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised but are disclosed in the notes to the financial statements.

1.16 Revenue from non-exchange transactions (continued)

Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality or municipal entity on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

Grants and receipts

Revenue received from conditional grants and funding are recognised as revenue to the extent that the municipality has compiled with any of the criteria , conditions or obligations embodied in the agreement . Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential , in the event of non-compliance to these stipulations and would be enforced by the transferor , a liability is recognised to the extent that the criteria , conditions or obligations have not been met. Where such requirements are not enforceable , or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occured , the stipulation will be considered a restriction and is recognised as revenue.

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Comparative figures

When the presentation or clssification of items in the annual financial statements is amended , prior period comparatives amounts are reclassified . The nature and reason for the reclassification is disclosed.

Where accounting errors have been identified in the current financial year the correction is made retrospectivley as far as it is practical and prior year comparatives are restated accordingly.

The comparatives (Accounting policy and disclosures) may not be consistent with the current year accounting policies and disclosures due to implementation of the new GRAP standards.

1.19 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.23 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.24 Grant -In-Aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers ,the municipality does not receive goods or service delivery in return,as would have been expected in a purchase or sale. These transfers are recognised in the Statement of financial performance as an expense in the period that the events giving rise to the transfer.

1.25 Commitments

The amount of capital commitments contracted for at the reporting date and which have not been recognised as liabilities are disclosed by way of a note. A distinction is made between capital and operating commitment .

1.26 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012/06/30 to 2013/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are not on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

1.27 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

1.27 Related parties (continued)

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.29 Events after reporting dates

Events after the reporting date are classified as adjusting events are accounted for in the financial statements and events after the reporting dates that are classified as non-adjusting events are disclosed in the notes to the financial statements.

1.30 Value added tax

Value added tax on revenue and expenditure transactions are recorded in the books of the municipality on the accrual basis of accounting ,however South African Revenue Services has registered and permitted the municipality to use the payment basis for determining the amounts due to or from South African Revenue Services.

1.31 Change in accounting policy,estimate and errors

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP3 requirements, to the extent that it is impracticable to determine the period end specific effect or the cumulative effect of the change in accounting policy. In such a case the municipality will restate the opening balances of the assets,liabilities and net assets for the earliest period for which retrospective application is practicable. Refer to note 2.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.Details of the change in estimates are disclosed in the notes to the annual financial statements where applicable

Correction of error that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, to the extent that it is impracticable to determine the period end specific effect or the cumulativeeffect of the error. In such a case the municipality will restate the opening balances of the assets, Liabilities and net assets for the earliest period for which retrospective restatement is pracicable

Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2015 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

GRAP 106: Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

2. New standards and interpretations (continued)

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

The impact of this amendment is currently being assessed.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Notes to the Financial Statements

2. New standards and interpretations (continued)

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:
- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2016.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

GRAP 105:Transfers of functions between entities under common control

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity (‘SPE’) may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called ‘autopilot’). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties (‘capital providers’) may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE’s activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE’s activities, even though it may own little or none of the SPE’s net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

It is unlikely that the interpretation will have a material impact on the municipality's financial statements.

Paragraphs .108 and .109 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Statement of Financial Performance as well as the Statement of Changes in Net Assets.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013

Notes to the Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the amendment for the first time in the 2014 financial statements.

DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP

The objective of this Directive is to permit an entity to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This Directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this Directive allows an entity, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the entity elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the entity made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this Directive, an entity will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 financial statements.

The impact of this standard is currently being assessed.

GRAP32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality is unable to reliably estimate the impact of the standard on the financial statements.

GRAP108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The impact of this standard is currently being assessed.

The aggregate impact of the initial application of the statements and interpretations on the municipality's financial statements is expected to be as follows:

3. Investment property

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	236 000 695	-	236 000 695	246 031 478	-	246 031 478

Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	246 031 478	(10 030 783)	236 000 695

Reconciliation of investment property - 2014

	Opening balance	Fair value adjustments	Total
Investment property	244 830 332	1 201 146	246 031 478

Pledged as security

No investment property has been pledged as security for any financial liabilities

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at he registered office of the municipality

Details of valuation

Investment property which comprises land and building are stated at fair value , which has been determined based on the valuations by E- Evaluations as at 30 June 2015 an industry specialist in valuing these types of properties. Messrs E-Evaluations is the member of the Institute of Valuers , and they have appropriate qualification and recent experience in the valuation of properties in the relevant locations. The valuations ,which conform to the International Valuation Standards, was arrived at by reference to market evidence of transactions prices for similar properties.

Messrs E-Evaluations is not related to the municipality.

Previous year's figures of the Investment Property have been restated to correctly disclose all the investment property of the municipality . Please refer to note on '' Correction of Error for the details of the restatement.

Rental revenue from investment property	7 670 684	9 381 701

Notes to the Financial Statements

Figures in Rand

4. Property, plant and equipment

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land and building	103 543 410	(32 231 548)	71 311 862	104 831 702	(31 921 045)	72 910 657
Infrastructure	1 499 508 957	(750 270 210)	749 238 747	1 444 342 868	(698 459 333)	745 883 535
Community	191 442 775	(55 897 670)	135 545 105	162 826 010	(50 326 216)	112 499 794
Other property, plant and equipment	105 813 985	(69 120 043)	36 693 942	107 024 457	(65 498 931)	41 525 526
Total	**1 900 309 127**	**(907 519 471)**	**992 789 656**	**1 819 025 037**	**(846 205 525)**	**972 819 512**

Notes to the Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Capital under construction	Disposals	Depreciation	Impairment loss	Total
Land and building	72 910 657	777 949	-	-	(2 376 745)	-	71 311 862
Infrastructure	745 883 535	37 216 062	5 957 657	(1 432)	(39 817 075)	-	749 238 747
Community	112 499 794	21 168 192	7 448 574	-	(5 571 454)	-	135 545 106
Other property, plant and equipment	41 525 526	7 231 880	-	(1 650 233)	(9 983 957)	(429 273)	36 693 943
	972 819 512	**66 394 083**	**13 406 231**	**(1 651 665)**	**(57 749 231)**	**(429 273)**	**992 789 658**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Capital under construction	Errors	Depreciation	Impairment loss	Total
Land and Building	77 144 192	537 400	-	(2 264 821)	(2 506 114)	-	72 910 657
Infrastructure	726 354 546	25 092 629	20 933 729	11 017 671	(37 515 039)	-	745 883 536
Community	92 402 014	8 510 515	15 857 754	-	(4 270 490)	-	112 499 794
Other property, plant and equipment	44 804 565	7 788 563	-	-	(10 853 674)	(214 017)	41 525 526
	940 705 317	**41 929 107**	**36 791 483**	**8 752 850**	**(55 145 317)**	**(214 017)**	**972 819 513**

Pledged as security

No property , plant and equipment was placed as security for financial liabilities

Impairment

The municipality tested its property , plant and equipment for impairment to ensure that the assets were reflected at the lower of the net book value or recoverable amount . Impairment tests were performed on all group of assets.

4. Property, plant and equipment (continued)

Other information

The prior year figures of property plant and equipment has been restated due to errors discovered during the year. Please refer to note on " Correction of error" for details.

5. Intangible assets

	2015			2014		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	1 806 505	(1 403 790)	402 715	3 328 529	(2 787 876)	540 653

Reconciliation of intangible assets - 2015

	Opening balance	**Amortisation**	**Total**
Computer software, other	540 653	(137 938)	402 715

Reconciliation of intangible assets - 2014

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	786 069	1 602	(247 018)	540 653

Restricted title

Computer Software are issued under licence and are restricted to the conditions under which each licence are issued

Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of Intangible Assets have been re-assessed and there are changes from previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets 's useful lives.

Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

Other Information

Prior year figures of Intangible Assets have been restated due to useful lives of certain items of Intangible Assets still in use being re-assessed . Please refer to the note on Correction of Error for the details of restatement

6. Heritage assets

	2015			2014		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Heritage assets which fair values cannot be reliably measured: (Para .94)						
National Monuments	1 657 451	(2 500)	1 654 951	1 657 451	-	1 657 451

Reconciliation of heritage assets 2015

Figures in Rand	2015	2014

6. Heritage assets (continued)

	Opening balance	Impairment losses recognised	Total
Heritage assets which fair values cannot be reliably measured: (Para .94)			
National Monuments	1 657 451	(2 500)	1 654 951

Reconciliation of heritage assets 2014

	Opening balance	Additions	Total
Heritage assets which fair values cannot be reliably measured: (Para .94)			
National Monuments	1 558 558	98 893	1 657 451

Heritage assets which fair values cannot be reliably measured

Pledged as security

No Heritage Assets have been pledged as security for financial liabilities

7. Long-term receivables

	2015	2014
At amortised cost		
Ugu District Municipality	9 135 596	10 034 040
This amount owed by Ugu District Municipality represents the amount paid by Hibiscus Coast Municipality to DBSA on behalf of Ugu District Municipality arising from transfer of powers and functions. The installment varies and paid in December and June each year.		
Non-current assets		
At amortised cost	8 237 153	8 762 119
Current assets		
At amortised cost	898 443	1 271 921

8. Employee benefit obligations

Post retirement health care benefits liability

	2015	2014
Balance at beginning of year	61 518 000	52 495 000
Current service costs	2 155 000	1 577 000
Interest costs	5 482 000	3 732 000
Subsidies paid	(2 640 000)	(2 384 000)
Actuarial (gain)/ loss recognised	5 261 000	6 098 000
Balance at end of year	71 776 000	61 518 000
Transfer to current liabilities	(2 571 000)	(2 640 000)
	69 205 000	**58 878 000**

The municipality provides certain post-retirement health care benefits liability by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees.

Figures in Rand	2015	2014

8. Employee benefit obligations (continued)

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out at 30 June 2015 by One Pangae Financial , Fellow of the Faculty of Actuaries and Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the post-employment health care benefits plan are made up as follows:

	2015	2014
In-service members (Employees)	517	484
Continuation members (Retirees, widowers and orphans)	90	84
Total members	**607**	**568**

The liability in respect of past service has been estimated as follows (R million):

	2015	2014
In-service members	36 882 000	30 549 000
Continuation members	34 894 000	30 969 000
	71 776 000	**61 518 000**

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Global Health
- LA Health
- Samwumed

The future-service cost for the ensuing year is estimated to be R 3 451 000, whereas the interest cost for the year after is estimated to be R5 667 000.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Assumptions used at the reporting date:

	2015	2014
Health care cost inflation rate	7.02 %	7.05 %
Discount rates	8.04 %	8.94 %
Medical aid inflation rate	7.02 %	8.05 %
Expected retirement age	65	65
Net effective discount rate	0.95 %	0.82 %

The amounts recognised in the statement of financial position are as follows:

	2015	2014
Carrying value		
Present value of unfunded obligations	71 776 000	61 518 000
Non-current liabilities	(69 205 000)	(58 878 000)
Current liabilities	(2 571 000)	(2 640 000)
	(71 776 000)	**(61 518 000)**

The amounts recognised in the Statement of Financial Performance are as follows:

	2015	2014
Current service cost	2 155 000	1 577 000
Interest cost	5 482 000	3 732 000
Actuarial (gains) losses	5 261 000	6 098 000
	-	-
Total included in employee related costs	**12 898 000**	**11 407 000**

8. Employee benefit obligations (continued)

Movements in the present value of the defined benefit obligation were as follows:

Balance at the beginning of the year	61 518 000	52 495 000
Current service costs	2 155 000	1 577 000
Interest cost	5 482 000	3 732 000
Benefits paid	(2 640 000)	(2 384 000)
Actuarial losses / (gains) recognised	5 261 000	6 098 000
Present value of fund obligation at the end of the year	**71 776 000**	**61 518 000**

Movements in the present value of the defined benefit assets were as follows:

Past-service costs	2 640 000	2 384 000
Assets distributed on settlements	(2 640 000)	(2 384 000)
Balance at the end of the year	**-**	**-**

The history of experienced adjustments is as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
Present value of defined benefit obligation	71 776 000	61 518 000	52 495 000	44 601 000	41 534 194
Deficit	**71 776 000**	**61 518 000**	**52 495 000**	**44 601 000**	**41 534 194**
Experienced adjustments on Plan Liabilities	5 482 000	5 309 000	3 922 000	4 854 000	690 209

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	10 496 000	5 722 000
Effect on the defined benefit obligation	82 157 000	64 156 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	7 739 000	5 178 000
Effect on the defined benefit obligation	63 283 000	58 173 000

Defined benefit plan

Long service awards and retirement gifts liability

Balance at beginning of year	15 922 000	9 797 000
Interest costs	1 273 000	876 000
Current service cost	1 608 000	670 000
Benefits paid	(1 617 000)	(1 480 000)
Actuarial (gain)/loss recognised	(4 545 000)	6 059 000
Total	12 641 000	15 922 000
Transfer to current liabilities	(1 592 000)	(1 617 000)
	11 049 000	**14 305 000**

The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service and a retirement gift determined by reference to length of service.

Notes to the Financial Statements

Figures in Rand	2015	2014

8. Employee benefit obligations (continued)

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 By One Pangae Financial ,Fellow of the Actuarial Society of South Africa .The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service and a retirement gift determined by reference to length of service.

The employees eligible for long service awards are made up as follows:

Male	634	640
Female	445	450
	1 079	**1 090**

The future -service costs for the ensuring year is estimated to be R1 608 000 whereas the interest cost for the year after is estimated to be R1 098 000

The principal assumptions used for the purpose of the actuarial valuations were as follows:

Discount rate	8 %	8 %
General Salary Inflation(Long term)	7 %	6 %
Net Effective Discount Rate	1 %	1 %
Expected Retirement Age	65	65

The amount recognised in the Statement of Financial Position are as follows:

Present value of unfunded obligations	12 641 000	15 922 000

The amount recognised in the Statement of Financial Performance

Current service costs	1 608 000	876 000
Interest cost	1 273 000	670 000
Actuarial losses/(gains)	(4 545 000)	6 059 000
	(1 664 000)	**7 605 000**

Movements in the present value of the defined benefit obligation were as follows:

Balance at the beginning of the year	15 922 000	9 797 000
Current service costs	1 608 000	876 000
Interest costs	1 273 000	670 000
Benefits paid	(1 617 000)	(1 480 000)
Actuarial losses/(gains)	(4 545 000)	6 059 000
	12 641 000	**15 922 000**

Movements in the present value of plan assets were as follows:

Contributions from employer	1 617 000	1 480 000
Benefits paid	(1 617 000)	(1 480 000)
	-	-

The history of experienced adjustments is as follows:

Present value of obligation	12 641 000	15 922 000

Th effect of 1% movement in the assumed rate of general salary inflation is as follows:

Increase

Effect on the aggregate of the current service cost and the interest cost	2 251 000	1 769 000
Effect on the defined benefit obligation	13 458 000	17 180 000

Figures in Rand	2015	2014

8. Employee benefit obligations (continued)

	15 709 000	**18 949 000**
Decrease		
Effect on the aggregate of the current service cost and the interest cost	1 957 000	1 467 000
Effect on the defined benefit obligation	11 899 000	14 797 000
	13 856 000	**16 264 000**

9. Inventories

Maintenance materials	2 518 169	3 113 110
Housing selling units	24 392	24 392
	2 542 561	**3 137 502**

10. Receivables from non-exchange transactions

Traffic fines	55 055 331	51 326 554
Advances and other debtors	5 057 803	985 908
Sundry debtors and others	1 085 874	884 824
	61 199 008	**53 197 286**

Receivables from non-exchange transactions pledged as security

There are no other receivables from non-exchange transactions pledged as security for overdraft facilities.

The prior year figures of receivables from Non-exchange transactions have been restated as the property rates have been reclassified to receivables from non-exchange transactions. Refere to the note on comparative information note for details.

11. VAT receivable

VAT	18 122 867	7 683 631

VAT ia payable on the payment basis .Once payment is received from debtors , VAT is payable over to SARS.

12. Receivables from exchange transactions

Gross balances		
Rates	80 010 327	79 618 963
Electricity	12 239 488	12 085 019
Interest	22 927 569	21 334 731
Penalties	3 787 791	4 663 147
Legal fees	4 730 068	5 654 720
Refuse	13 894 578	12 719 676
Other receivables	12 455 861	11 719 853
	150 045 682	**147 796 109**
Less: Allowance for impairment		
Electricity	(6 098 004)	(3 166 045)
Interest	(4 765 987)	(4 563 012)
Penalties	(2 014 432)	(1 772 484)
Legal fees	(2 754 434)	(2 519 826)
Refuse	(6 755 543)	(6 635 120)
Other receivables	(3 832 086)	(6 534 148)
	(26 220 486)	**(25 190 635)**

Figures in Rand	2015	2014

12. Receivables from exchange transactions (continued)

Net balance		
Rates	80 010 327	79 618 963
Electricity	6 141 484	8 918 974
Interest	18 161 582	16 771 719
Penalties	1 773 359	2 890 663
Legal fees	1 975 634	3 134 894
Refuse	7 139 035	6 084 556
Other debtors	8 623 775	5 185 705
	123 825 196	**122 605 474**

Included in above is receivables from exchange transactions		
Electricity	8 272 947	8 688 379
Interest	22 927 569	16 771 719
Refuse	3 787 791	2 890 663
Penalties	4 730 068	3 134 894
Legal fees	13 894 578	6 084 556
Other debtors	13 321 476	5 185 705
	66 934 429	**42 755 916**

Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	80 010 327	79 618 963
Net balance	**146 944 756**	**122 374 879**

Rates		
Current (0 -30 days)	751 045	146 580
31 - 60 days	5 765 276	5 425 628
61 - 90 days	4 627 127	4 529 950
91 - 120 days	3 924 914	3 817 676
> 121days	64 941 965	65 699 129
	80 010 327	**79 618 963**

Electricity		
Current (0 -30 days)	10 241 351	9 337 019
31 - 60 days	172 562	657 475
61 - 90 days	117 726	409 138
91 - 120 days	100 403	163 652
> 121 days	1 607 446	1 517 734
	12 239 488	**12 085 018**

Interest		
Current (0 -30 days)	1 545 660	1 565 285
31 - 60 days	742 070	769 500
61 - 90 days	724 363	714 593
91 - 120 days	675 528	681 556
> 121 days	19 239 947	17 603 797
	22 927 568	**21 334 731**

Penalties		
> 121 days	3 787 791	4 096 038

Figures in Rand	2015	2014

12. Receivables from exchange transactions (continued)

Legal fees

Current (0 -30 days)	132 016	121 343
31 - 60 days	83 557	54 761
61 - 90 days	25 324	38 928
91 - 120 days	192	31 314
> 121days	4 488 979	4 873 869
	4 730 068	**5 120 215**

Refuse

Current (0 -30 days)	-	1 570
31 - 60 days	902 354	839 207
61 - 90 days	741 511	652 133
91 - 120 days	652 865	581 779
> 121days	11 597 848	10 644 987
	13 894 578	**12 719 676**

Other debtors

Current (0 -30 days)	2 101 456	2 416 428
31 - 60 days	283 913	278 748
61 - 90 days	460 810	234 389
91 - 120 days	217 041	236 022
> 121days	9 392 641	8 554 266
	12 455 861	**11 719 853**

Notes to the Financial Statements

Figures in Rand	2015	2014

12. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	1 102 998	4 771 803
31 - 60 days	4 747 397	5 886 584
61 - 90 days	10 244 019	4 934 171
91 - 120 days	9 810 705	4 294 123
> 121 days	102 084 734	86 232 294
	127 989 853	106 118 975
Less: Allowance for impairment	(18 344 834)	(12 434 232)
	109 645 019	**93 684 743**

Industrial/ commercial		
Current (0 -30 days)	5 621 631	3 306 942
31 - 60 days	1 103 250	1 197 626
61 - 90 days	929 468	981 633
91 - 120 days	772 514	785 234
> 121 days	10 761 504	9 538 637
	19 188 367	15 810 072
Less: Allowance for impairment	(6 980 098)	(6 543 421)
	12 208 269	**9 266 651**

National and provincial government		
Current (0 -30 days)	1 619 388	5 509 481
31 - 60 days	74 677	969 585
61 - 90 days	66 700	663 326
91 - 120 days	18 368	432 923
> 121days	1 088 329	17 190 134
	2 867 462	24 765 449
Less: Allowance for impairment	(895 353)	(5 111 370)
	1 972 109	**19 654 079**

Total		
Current (0 -30 days)	14 771 530	13 441 646
31 - 60 days	7 949 732	2 628 169
61 - 90 days	6 697 193	2 049 181
91 - 120 days	5 570 942	1 694 604
>121days	115 056 285	47 261 934
	150 045 682	67 075 534
Less: Allowance for impairment	(26 220 485)	(24 089 023)
	123 825 197	**42 986 511**

Less: Allowance for impairment		
61 - 90 days	(6 534 642)	(6 142 432)
91 - 120 days	(7 142 442)	(6 653 552)
> 121days	(12 543 401)	(11 293 039)
	(26 220 485)	**(24 089 023)**

Notes to the Financial Statements

Figures in Rand	2015	2014

12. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(24 089 023)	(24 319 617)
Contributions to allowance	(3 357 927)	(1 926 289)
Debt impairment written off against allowance	1 226 465	2 156 883
	(26 220 485)	**(24 089 023)**

Consumer debtors pledged as security

There were no consumer debtors pledged as security for overdraft facilities for the period ended 30 June 2015.

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	70 445	68 945
Bank balances	13 600 804	9 519 511
Short-term deposits	78 157 507	141 126 966
	91 828 756	**150 715 422**

Notes to the Financial Statements

Figures in Rand	2015	2014

13. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
05 325 607 7-Standard Bank Primary Bank Acc	-	-	2 752 361	-	-	2 752 361
1020541857(Nedbank primary bank a/c)	6 369 473	1 616 313	39 357	3 545 438	1 616 313	39 357
91-4947-5623 ABSA (Louisiana Housing)	8 331 054	8 500 470	9 100 794	8 331 054	8 500 470	9 100 794
91-4947-4529 ABSA (Nzimakwe Housing)	536 204	535 852	621 634	536 204	535 852	621 634
91-4947-4927 ABSA(Nzimakwe Housing2)	890 199	889 608	811 931	890 199	889 608	811 931
91-4947-5509 ABSA (Bhobhoyi Housing)	289 800	211 149	357 921	289 800	211 149	357 921
91-4947-5753 ABSA (Bhobhoyi Housing 1)	12 972	12 947	11 854	12 972	12 947	11 854
91-4947-5208 ABSA (Damaged Housing)	70 618	112 141	102 729	70 618	112 141	102 729
91-4940-1627 ABSA (Uplands Housing)	69 162	69 117	63 306	69 162	69 117	63 306
91-4940-1164 ABSA (Mkholombe Housing)	33 206	33 185	30 395	33 206	33 185	30 395
1400-190309-500(Investc Call Account)	-	24 226 962	61 109 668	-	24 226 962	61 109 668
91-5277-5491 ABSA (Aids Project)	125 321	125 241	114 792	125 321	125 241	114 792
89140-356988 STD Bank (Masinenge Housing)	9 567 650	3 361 532	1 398 260	9 567 650	3 361 532	1 398 260
89139-356986 STD Bank (KwaMavundla Housing)	211 018	209 615	190 503	211 018	209 615	190 503
89141-356989 STD Bank (Kwaxolo Housing)	10 018 829	9 870 224	4 440 658	10 018 829	9 870 224	4 440 658
90439-364623 STD Bank (KwaNdwalane Housing)	454 130	454 444	2 083 546	454 130	454 444	2 083 546
1400-190309-500 Investec (MHOA)	6 016 250	-	26 722 010	6 016 250	-	26 722 010
89111-356985 STD Bank (CCDC)	20 283 096	52 743 172	33 946 510	20 283 096	52 743 172	33 946 510
89111-357732 STD Bank	294 431	3 217 041	89 824	294 431	3 217 041	89 824
89111-360253 STD Bank	57 137	54 238	30 534 658	57 137	54 238	30 534 658
7881000791 Nedbank(Primary bank account)	20 896 430	36 500 028	-	20 896 430	36 500 028	-
Total	**84 526 980**	**142 743 279**	**174 522 711**	**81 702 945**	**142 743 279**	**174 522 711**

14. Accumulated surplus

The accumulated surplus consist of the following reserves:

	2015	2014
Housing Development Fund	6 040 601	24 251 354
Capital Replacement Reserve	26 961 788	26 961 788
Government Grant Reserve	216 303 381	216 303 381
Capitalisation Reserve	18 329 539	18 329 539
Donations and Public Contributions Reserve	3 018 235	3 018 235
Accumulated Surplus(Deficit) due to operations	568 928 704	589 812 004
	839 582 248	**878 676 301**

Figures in Rand	2015	2014

15. Housing development fund

The housing development fund is represented by the following assets and liabilities

Housing selling scheme loans	24 392	24 392
Bank and cash	6 016 209	24 226 962
Assets	**6 040 601**	**24 251 354**

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
National Dept of Treasury (Municipal Systems Improvement Grant)	5 300 804	1 463 951
National Dept of Treasury (Municipal Infrastructure Grant)	9 343 523	6 625 148
	14 644 327	**8 089 099**

Movement during the year

Balance at the beginning of the year	8 089 099	1 620 094
Additions during the year	88 039 550	51 177 000
Income recognition during the year	(81 484 322)	(44 707 995)
	14 644 327	**8 089 099**

Refer to government grants revenue note for the details of conditions not yet met and reconciliation of opening to closing balance of unspent portion.

These amounts are invested in a ring-fenced investment until utilised.

17. Other financial liabilities

At amortised cost		
Development Bank of Southern Africa Structured unsecured loans taken over from local municipalities as a result of change of powers and functions. The loan is repaid semi-annually in December and June at various interest rates.The loans are repayable over the period between 10 to 20 years. .	3 830 934	4 835 601
Planet Finance Structured unsecured loan repayable monthly in fixed installments of capital and interest. Loan is repayable over the period between 5 to 10 years.	-	13 558
Standard Bank of South Africa Structured unsecured 20 year loan.Repayable semi-annually in October and April in fixed instalments of capital and interest of 11.56 %.	37 564 438	42 235 097
	41 395 372	**47 084 256**
Total other financial liabilities	**41 395 372**	**47 084 256**
Non-current liabilities		
At amortised cost	34 655 437	40 710 492

Notes to the Financial Statements

Figures in Rand	2015	2014

17. Other financial liabilities (continued)

Current liabilities		
At amortised cost	6 739 934	6 373 764

18. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Contribution during the year	Total
Landfill site rehabilitation	26 748 000	3 706 809	30 454 809

Reconciliation of provisions - 2014

	Opening Balance	Contribution	Total
Landfill site rehabilitation	23 700 600	3 047 400	26 748 000

The best estimate for the landfill site rehabilitation, as determined by TGC Engineers, has been based on the present value of the future expected cash flows required to settle the obligation at the reporting date.

19. Payables from exchange transactions

Trade payables	13 443 618	9 915 516
Debtors with credit balances	30 432 283	27 794 137
Outstanding payments at year end	12 123 643	22 819 243
Retention	15 649 639	14 126 632
Other payables	10 487 671	11 468 955
Accruals	10 119 966	12 462 274
Leave accrual	18 133 876	16 549 935
Southbroom UIP	344 235	403 567
Overtime and other employee related costs accruals	1 260 272	770 245
Operating lease liability	240 933	246 928
	112 236 136	**116 557 432**

Operating lease liability

Balance at the beginning of the year	246 928	211 604
Operating lease expenses recorded	1 480 281	985 453
Operating lease payments effected	(1 486 276)	(950 129)
	240 933	**246 928**

Operating leases are recognised on a straight line basis as required by GRAP 13. The above operating lease liabilities have been recognised.

Operating lease relates to property ,plant and equipment with lease term no longer than 5 years,with an option to extend for further period. The municipality does not have an option to purchase the leased asset at the end of the lease term. The rentals escalates between 8% and 11% and no contingent rent is payable.The following are the minimum lease payments.

Operating lease installments		
Payable within one year	9 687 437	3 543 442
Payable later than one to five years	16 890 484	4 323 322
	26 577 921	**7 866 764**

Notes to the Financial Statements

Figures in Rand	2015	2014

20. Consumer deposits

Electricity	5 776 189	5 380 241
Verges and others	14 497 442	13 948 641
	20 273 631	**19 328 882**

Guarantees in lieu of consumer deposits

Electricity	1 058 339	1 076 340

21. Financial instruments disclosure

Categories of financial instruments

2015

Financial assets

	At amortised cost	Total
Receivables from Exchange transactions	46 811 947	46 811 947
Receivables from Non-exchange transactions	139 053 221	139 053 221
Short-term portion of long-term debtors	898 443	898 443
Long-term debtors	8 237 153	8 237 153
Bank,cash and cash equivalents:Cash	70 445	70 445
Bank,cash and cash equivalents :Bank	13 600 804	13 600 804
Bank,cash and cash equivalents : Call deposits	78 157 507	78 157 507
	286 829 520	**286 829 520**

Financial liabilities

	At amortised cost	Total
Payables from Exchange transactions	107 763 065	107 763 065
Consumer deposits	20 273 631	20 273 631
Short-term portion of long-term liabilities	6 738 934	6 738 934
Long-term liabilities	34 660 689	34 660 689
	169 436 319	**169 436 319**

2014

Financial assets

	At amortised cost	Total
Receivables from Exchange transactions	42 985 511	42 985 511
Receivables from Non-exchange transactions	83 538 859	83 538 859
Short-term portion of long-term debtors	1 271 921	1 271 921
Long-term debtors	8 762 119	8 762 119
Bank, cash and cash equivalents : Cash	27 101	27 101
Bank,cash and cash equivalents:Bank	8 552 187	8 552 187
Bank,cash and cash equivalents:Call deposits	141 544 839	141 544 839
	286 682 537	**286 682 537**

Financial liabilities

	At amortised cost	Total

Notes to the Financial Statements

Figures in Rand	2015	2014
. Financial instruments disclosure (continued)		
Payables from Exchange transactions	116 557 432	116 557 432
Consumer deposits	19 328 882	19 328 882
Short-term portion of Long-term liabilities	6 373 764	6 373 764
Long-term liabilities	40 710 492	40 710 492
	182 970 570	**182 970 570**

22. Revenue

Service charges	136 038 622	127 014 572
Rental of facilities and equipment	2 673 069	2 309 352
Interest received	7 670 684	9 381 701
Agency services	4 341 233	4 321 479
Licences and permits	4 896 625	5 510 732
Other income	30 694 659	16 360 874
Interest received - investment	3 783 405	5 503 599
Property rates	290 833 326	278 498 313
Property rates - penalties imposed	134 771	160 499
Government grants & subsidies	180 463 323	169 190 674
Fines, Penalties and Forfeits	29 872 986	38 009 367
	691 402 703	**656 261 162**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	136 038 622	127 014 572
Rental of facilities and equipment	2 673 069	2 309 352
Interest received	7 670 684	9 381 701
Agency services	4 341 233	4 321 479
Licences and permits	4 896 625	5 510 732
Other income	30 694 659	16 360 874
Interest received - investment	3 783 405	5 503 599
	190 098 297	**170 402 309**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	290 833 326	278 498 313
Property rates - penalties imposed	134 771	160 499
Transfer revenue		
Government grants & subsidies	180 463 323	169 190 674
Fines, Penalties and Forfeits	29 872 986	38 009 367
	501 304 406	**485 858 853**

Notes to the Financial Statements

Figures in Rand	2015	2014

23. Property rates

Rates received

Residential	225 888 347	218 925 046
Commercial	42 964 237	40 204 035
Municipal	6 789 668	6 340 728
Small holdings and farms	9 244 461	8 513 130
Mining	121 442	113 500
Agricultural bona fide	1 070 007	982 132
Institutional	4 425 516	4 292 523
Special purpose	254 297	242 059
State	541 684	502 229
Less: Income forgone	(34 956 463)	(34 407 245)
	256 343 196	245 708 137
Property rates - penalties imposed	134 771	160 499
	256 477 967	**245 868 636**

Valuations

Residential	27 318 918 250	27 243 062 000
Commercial	2 478 955 000	2 454 064 000
Industrial	535 237 000	531 797 000
Mining	7 004 000	7 004 000
Agricultural bona fide	1 242 231 500	1 233 661 500
Agricultural -mixed	111 708 000	107 884 000
Institutional	1 001 411 000	1 063 168 000
Special purpose	58 499 000	58 676 000
Public service infrastructure	2 228 523 000	4 470 872 000
Municipal owned	446 487 000	444 968 250
Vacant land	1 854 062 000	1 876 302 000
Carports/Garages	62 207 000	62 680 000
Communal	58 554 000	58 605 000
Guest Houses	153 322 000	161 514 000
	37 557 118 750	**39 774 257 750**

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2012 .Interim valuations are performed on a quarterly basis to take into account changes in individual property values due to alterations.

24. Service charges

Sale of electricity	97 045 535	90 729 464
Refuse removal	38 993 087	36 285 108
	136 038 622	**127 014 572**

Figures in Rand	2015	2014

25. Government grants and subsidies

Operating grants		
Equitable Share	99 543 000	90 996 000
KZN Housing Grants	-	15 777 679
Finance Management Grant (FMG)	1 600 000	1 550 000
Municipal Systems Improvement Grant (MSIG)	934 000	1 678 414
KZN Co-operative Governance and Traditional Affair	11 300 000	-
KZN Dept of Arts and Culture (Museums)	302 000	286 000
National Dept of Energy	1 635 686	6 100 049
KZN Dept of Arts and Culture(Libraries)	7 111 000	6 748 000
Expanded Public Works Programme (EPWP)	1 047 462	1 831 680
KZN Dept of Sports and Recreation	1 575 000	675 000
KZN Dept of Transport (Intermodal Facility)	10 000 000	10 000 000
Local Government SETA	241 550	-
	135 289 698	135 642 822
Capital grants		
Municipal Infrastructure Grant (MIG)	45 173 625	33 547 852
	45 173 625	33 547 852
	180 463 323	**169 190 674**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy towards the cost of basic services which is funded from this grant.

Municipal Infrastructure Grant

Balance unspent at beginning of year	6 625 148	-
Current-year receipts	47 892 000	40 173 000
Conditions met - transferred to revenue	(45 173 625)	(33 547 852)
	9 343 523	**6 625 148**

KZN Department of Housing

Current-year receipts	-	15 777 679
Conditions met - transferred to revenue	-	(15 777 679)
	-	**-**

Finance Management Grant(FMG)

Current-year receipts	1 600 000	1 550 000
Conditions met - transferred to revenue	(1 600 000)	(1 550 000)
	-	**-**

National Department of Energy

Balance unspent at beginning of year	899 951	-
Current-year receipts	6 000 000	7 000 000
Conditions met - transferred to revenue	(1 635 686)	(6 100 049)
Balance unspent (Transferred to liabilities)	**5 264 265**	**899 951**

Figures in Rand	2015	2014

25. Government grants and subsidies (continued)

Municipal Systems Improvement Grant

Balance unspent at beginning of year	-	788 414
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 000)	(1 678 414)
	-	-

KZN Department of Arts and Culture(Museums)

Current-year receipts	302 000	286 000
Conditions met - transferred to revenue	(302 000)	(286 000)
	-	-

KZN Department of Arts and Culture(Libraries)

Current-year receipts	7 111 000	6 748 000
Conditions met - transferred to revenue	(7 111 000)	(6 748 000)
	-	-

Expanded Public Work Programme(EPWP)

Balance unspent at beginning of year	-	831 680
Current-year receipts	1 084 000	1 000 000
Conditions met - transferred to revenue	(1 084 000)	(1 831 680)
	-	-

KZN Dept of Sports and Recreation

Current-year receipts	1 575 000	675 000
Conditions met - transferred to revenue	(1 575 000)	(675 000)
	-	-

KZN Dept of Transport (Intermodal Facility)

Current-year receipts	10 000 000	10 000 000
Conditions met - transferred to revenue	(10 000 000)	(10 000 000)
	-	-

KZN COGTA (Urban Renewal and Afrika Bike Week)

Current-year receipts	11 300 000	-
Conditions met - transferred to revenue	(11 300 000)	-
	-	-

Local government SETA

Current-year receipts	241 550	-
Conditions met - transferred to revenue	(241 550)	-
	-	-

Notes to the Financial Statements

Figures in Rand	2015	2014

26. Public contributions and donations

Reconciliation of conditional contributions		
Current-year receipts	-	15 739
Conditions met - transferred to revenue	-	(15 739)
	-	**-**

27. Other income

Margate airport revenue	4 366 177	7 283 423
Admin and clearance certificates	855 369	631 139
Town planning related revenue	4 013 969	2 758 149
Miscellaneous revenue	3 623 123	4 395 509
Traffic and fire related	76 147	175 465
Bad debt recovered	37 811	49 057
KZN Housing subsidy	17 722 063	62 650
Municipal awards excellence(COGTA)	-	1 005 482
	30 694 659	**16 360 874**

Figures in Rand	2015	2014

28. General expenses

Advertising	932 252	976 004
Afrika bike week	5 719 985	1 075 312
Assets write off	-	12 805 370
Auditors remuneration	2 922 523	2 130 240
Back to school campaign	563 550	16 950
Bank charges	519 710	319 504
Budget roadshows	486 306	542 163
Chemicals	326 210	892 072
Clearing charges	546 464	583 098
Consulting and professional fees	4 344 163	3 072 627
Electricity	8 566 638	8 227 755
Electricity projects	1 429 838	5 663 035
Free basic indigents	2 001 255	1 312 500
Hire	3 027 317	2 976 488
Housing expenditure	25 791 370	19 059 683
Indigent support	1 217 946	1 150 603
Insurance	1 638 604	1 424 892
Intermodal facility	6 879 998	7 425 221
Landfill site rehabilitation	3 706 809	3 047 400
Legal fees	1 333 288	2 683 842
Levies	2 277 792	4 007 750
Local economic development	695 640	449 168
Margate airport expenses	3 873 871	3 907 527
Medical expenses	-	1 101
Operating lease expenses	12 413 620	13 469 894
Other expenses	16 037 274	4 379 798
PMU Expenditure	1 926 461	2 445 672
Postage and courier	1 348 730	1 537 694
Poverty alleviation projects	980 848	154 907
Printing and stationery	1 645 113	1 476 344
Radio Licences	1 357 896	1 289 782
Refuse bags	2 579 488	1 148 618
Refuse site disposal charges	4 500 795	3 846 198
Security monitoring charges	7 389 109	6 698 996
Special functions	1 290 210	1 207 055
Staff welfare	987 168	1 123 266
Stores and materials	2 011 696	1 455 543
Subscriptions and membership fees	2 719 010	3 129 619
Summons	21 090	9 120
Telephone and fax	7 617 399	2 138 643
Third party charge	1 037 628	588 088
Time management system	720 861	302 685
Traffic fines expenditure -TMT	6 157 772	5 809 455
Training	3 083 825	2 823 669
Travel - local	3 044 831	2 505 033
Valuation fees : Property rates	2 163 698	1 346 351
Ward secretary allowances	1 555 920	1 462 950
Water	4 521 319	3 902 275
Youth empowerment	1 378 472	1 827 225
	167 291 762	**149 829 185**

The prior year figures of general expenses have been restated due to landfill site and audit fees being now part of general expenses on the face of teh Statement of Financial Performance . Please refer to the note on Comparative information for more details.

Notes to the Financial Statements

Figures in Rand	2015	2014

29. Employee related costs

Basic	179 559 011	170 178 294
Performance bonus	1 028 431	-
Medical Aid , Pension fund and UIF	43 573 257	41 380 520
Defined contribution plans	11 234 000	19 012 000
Travel, motor car, accommodation, subsistence and other allowances	11 570 635	9 595 702
Overtime payments	13 339 082	10 185 792
13th Cheques	13 699 564	12 452 175
Housing benefits and allowances	1 221 385	932 472
Other employee related costs	14 332 239	16 077 356
	289 557 604	**279 814 311**

Municipal manager

Annual Remuneration	444 000	444 000
Car , Cellphone, Housing and Other Allowances	627 549	592 842
Performance Bonuses	120 259	-
Contributions to UIF, Medical and Pension Funds	84 726	52 647
	1 276 534	**1 089 489**

Chief finance officer

Annual Remuneration	360 220	444 000
Car, Cellphone, Housing and Other Allowances	279 093	492 449
Performance Bonuses	159 615	-
Contributions to UIF, Medical and Pension Funds	63 952	51 137
	862 880	**987 586**

Corporate services

Annual Remuneration	444 000	333 000
Car, Cellphone,Housing and Other Allowances	435 918	303 405
Performance Bonuses	62 348	-
Contributions to UIF, Medical and Pension Funds	119 849	63 931
	1 062 115	**700 336**

Human settlements and infrastructure

Annual Remuneration	225 000	385 797
Car , Cellphone, Housing and Other Allowances	396 295	466 019
Contributions to UIF, Medical and Pension Funds	40 804	95 595
	662 099	**947 411**

The Human Settlement and Infrastructure Head of Department was appointed on 01 October 2014

Community services

Annual Remuneration	420 000	645 151
Car , Cellphone ,Housing and Other Allowances	437 029	110 000
Performance Bonuses	73 829	-
Contributions to UIF, Medical and Pension Funds	118 295	76 789
	1 049 153	**831 940**

Planning and Economic Development

Notes to the Financial Statements

Figures in Rand	2015	2014

29. Employee related costs (continued)

Annual Remuneration	356 880	598 727
Car,Cellphone, Housing and Other Allowances	499 214	165 000
Performance Bonuses	65 626	-
Contributions to UIF, Medical and Pension Funds	165 895	90 517
	1 087 615	**854 244**

Strategic planning and Governance

Annual Remuneration	444 000	444 000
Car,Cellphone,Housing and other Allowances	467 312	414 782
Performance Bonuses	127 848	-
Contributions to UIF, Medical and Pension Funds	82 055	50 925
	1 121 215	**909 707**

30. Remuneration of councilors

Mayor	783 893	724 669
Deputy Mayor	662 321	583 908
Speaker	678 360	583 908
Councilors- Full time	5 561 248	5 454 460
Councilors -Part time	11 685 152	10 489 843
	19 370 974	**17 836 788**

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. The Mayor,Deputy Mayor and Speaker are provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

The Mayor has two full-time bodyguards.

31. Debt impairment

Debt impairment	3 357 927	1 926 289

32. Investment revenue

Interest revenue		
Bank	3 783 405	5 503 599

33. Fair value adjustments

Investment property (Fair value model)	(10 030 783)	1 201 146

34. Depreciation and amortisation

Property, plant and equipment	57 887 169	55 145 316
Intangible assets	-	247 018
	57 887 169	**55 392 334**

Figures in Rand	2015	2014

35. Impairment of assets

Impairments		
Property, plant and equipment	437 174	214 017

Impairment exist predominantly due to property plant and equipment being physically damaged ,stolen or have become redundant.

36. Finance costs

Non-current borrowings	5 262 125	5 909 705

37. Contracted services

Security and waste management	7 589 308	4 956 677
Lifeguarding services	7 781 802	6 967 119
Verge cutting	7 826 800	7 341 554
Shark meshing fees	5 248 795	5 248 795
Other contracted services	192 840	2 906 544
	28 639 545	**27 420 689**

38. Bulk purchases

Electricity	71 818 570	67 662 468

Bulk purchases are the cost commodities not generated by the municipality ,which the municipality distribute to the municipal area for resale to consumers. Bulk purchases is purchased from Eskom.

39. Cash generated from operations

(Deficit) surplus	(37 460 179)	10 404 147
Adjustments for:		
Depreciation and amortisation	57 887 169	55 392 334
Gain (loss) on discontinued operations	712 669	(1 264 106)
Write down(Reversal) of inventory	-	(70 151)
Fair value adjustments	10 030 783	(1 201 146)
Impairment losses	437 174	214 017
Debt impairment	3 357 927	1 926 289
Movements in retirement benefit assets and liabilities	10 258 000	9 023 000
Movements in provisions	3 706 809	3 047 400
Changes in working capital:		
Inventories	594 941	(391 882)
Consumer debtors	(4 577 649)	(6 383 537)
Other receivables from non-exchange transactions	(8 001 721)	(13 389 856)
Payables from exchange transactions	(4 321 296)	19 432 870
VAT Receivable	(11 043 553)	(1 066 578)
Unspent conditional grants and receipts	6 555 228	6 469 005
Othe liability	944 749	1 292 047
	29 081 051	**83 433 853**

Notes to the Financial Statements

Figures in Rand	2015	2014

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	159 608 574	134 282 318
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	5 704 592	19 500 051
Total capital commitments		
Already contracted for but not provided for	159 608 574	134 282 318
Not yet contracted for and authorised by accounting officer	5 704 592	19 500 051
	165 313 166	**153 782 369**

This committed expenditure relates to property and will be financed by available retained surpluses, existing cash resources, funds internally generated and government grants, etc.

41. Contingent liabilities

1.There is pending matter against the municipality regarding eviction proceedings against Margate Amusement Park . The appellant has served its notice to appeal on the respondents in the matter , our attorneys of record is now attending to prepare the record of appeal to be filed and served in order to receive the date of the appeal. The trial date is expected not later than 25 July 2015. The estimated claim amounts to R413 648 and the outcome of the matter is not known at this stage..

2.The judgemental has been granted in favour of the employee suing the municipality for R 80 000 plus interest 15.5% for an alleged defamation of character . An appeal has been lodged in respect of the matter and transcripts have been received and filed in court and served on plaintiff's attorneys. Litigation costs pending the finalisation of the matter. The outcome of the matter is not known at this stage. The legal costs is estimated at R83 600

3.The municipality is defending the land eviction claim amounting from Hume Housing . The appeal was heard on 02 February 2015 where judgement was reserved . The court found in favour of Hume Housing and matter was referred back to the court . The municipality has filled further appeal to the Supreme Court of Appeal . An application for special leave to appeal to the SCA has been filled . The estimated legal costs amounts to R55 000

4.The municipality is being sued by the security company objecting against the appointment of other security company. In an attempt to finalise the matter , the letter to the other side of attorneys have been addressed enquiring as to their intentions surrounding this matter . The legal cost amounts to R206 807.

5. There is a land dispute between the municipality and the11 land claimants. The matter was due in court in May 2015 . The matter was heard on the relevant date and the municipality absolved from instance. The estimated legal costs is R20 000.The outcome of the matter is not known at this stage.

6. The municipality is being sued regarding the storm water damage to the property of the claimant . The plaintiff is claiming an amount of R87 164 .00 being damages suffered as a result of what is alleged hereinfore . The municipality is defending the claim and the outcome of the matter is not known at this stage.

7.. There has been an objection against the award of the tender for repairs and the outcome of the appeal was that the municipality was ordered to cancel the contract and re-advertise the tender. The appointed attorneys have entered a notice to oppose the interdict . The matter was due for court on 02 July 2014 but was removed from the roll . The outcome of the matter is not known at this stage.

8. There Housing dispute matter between the municipality and K Moodley . The municipality has corresponded with their attorneys who advised that they await the return of their file which has been submitted to their Durban based Costs Consultants for determination of costs . The status quo remains . The estimated legal costs is R20 000.

9. The municipality is being sued as a result of the motor vehicle accident involving the Law Enforcement Offiicers where vehicles collided . The matter was referred to insurers , we await further developments in the matter . The estimated claim amounts to R3 500 000 plus 15.5% interest .

41. Contingent liabilities (continued)

10. The municipality has received claims estimated at R26 020 regarding the damages to motor vehicles of the plaintiffs due to potholes . The municipality is defending the matter and a detailed report from the attorneys of the municipality is awaited. The outcome of the claim is not known at this stage.

11.. The municipality has received a summon from claimant for damages to the tune of R2 778 409.00 allegedly based on loss of income /rental at the instance of the termination of a contract for the provision of Lazy Shades Umbrellas . The municipality is defending the claim and the outcome of the matter is not known at this stage.

12.. The municipality is being sued regarding the eviction of tenants who built permanent structures on the admiralty reserve . The trial date is awaited . The municipality is defending the claim and the outcome of the matter is not known at this stage.

13.. The municipality is being sued due to damage to the motor vehicle by pothole. The municipality is defending the matter and the outcome of the matter is unkwown . The claim amounts to R24 956.00 trial date is awaited . The municipality is defending the claim and the outcome of the matter is not known at this stage.

14.. The municipality is being sued due to damage to the motor vehicle by pothole. The municipality is defending the matter and the outcome of the matter is unkwown . The claim amounts to R18 302.00 trial date is awaited . The municipality is defending the claim and the outcome of the matter is not known at this stage.

15. An applicant contractor brought an urgent application for an interdict against the municipality , which was dismissed with costs . The applicant's attorneys have indicated that their client intends to persist with the application to review and set aside the municipality's decision , but have not , so far , delivered the necessary application papers in suppport of the review application . The estimated legal costs is R60 069

42. Related parties

Relationships

Accounting Officer and key management personnel	Refer to employee related cost note
Councillors	Refer to remuneration of councillors note

Related party transactions

	2015	2014
Revenue of service charges paid by the related parties		
Councillors	133 065	90 984
Senior management	24 862	39 168
	157 927	**130 152**
Outstanding amount of service charges from related parties		
Councillors	31 463	30 167
Senior management	6 539	4 974
	38 002	**35 141**
Compensation to accounting officer and other key management		
Accounting officer and key management personnel	7 121 611	9 320 713
Councillors	19 370 974	17 836 788
	26 492 585	**27 157 501**

Senior management refers to the municipal manager and all other managers that directly report to the municipal manager.

Notes to the Financial Statements

Figures in Rand	2015	2014

43. Prior period errors

During the year it was discovered that some items of Investment property were duplicated in the fixed asset register and some do not belong to the municipality . The error resulted in the restatement of prior year balances of investment property and accumulated suplus

The restatement has an effect on the investment property .

43.1 Investment property		
Balance previously published as per AFS 30 June 2014	-	274 676 860
Investment property that were duplicated	-	(8 195 381)
Investment property that do not belong to the municipality	-	(20 450 000)
Balance now published as per AFS as at 30 June 2014	**-**	**246 031 479**

During the year , various errors relating to Property Plant and Equipment were discovered in the accounting records . This resulted in the balance of PPE being restated .The restatement is as follows :

43.2 Property Plant and Equipment		
Balance previously published as per AFS as at 30 June 2014	-	964 066 662
Infrastructure assets not correctly accounted for	-	11 017 671
Community assets not belonging to the municipality	-	(2 264 821)
Balance now published per AFS as at 30 June 2014	**-**	**972 819 512**

The above errors and change in accounting policy (Note 2) resulted in the accumulated surplus being restated as follows

43.3 Accumulated surplus		
Balance previously published as per AFS 30 June 2014	-	898 141 884
Heritage Assets - GRAP 103 Change in Accounting Policy	-	426 950
Investment Property incorrectly accounted for	-	(28 645 381)
PPE not properly accounted for	-	11 017 671
Items of PPE not accounted for previously	-	(2 264 821)
Balance now published per AFS as at 30 June 2014	**-**	**878 676 303**

Notes to the Financial Statements

Figures in Rand	2015	2014

44. Comparative figures

The prior year figures of receivables from Non-exchange ,exchange transactionsand general expenses have been reclassified in order to correctly comply with GRAP 1 requirements regarding the disclosure of property rates and general expenses.

The reclassification has no effect on the accumulated surplus.

Trade receivables	Receivables from non-exchange	Receivables from exchange	Total
Balance as per AFS 30 June 2014	132 816 249	42 986 511	175 802 760
Reclassification of property rates	(79 618 963)	79 618 963	-
	53 197 286	122 605 474	175 802 760
Balance now published as per AFS 30 June 2014	**53 197 286**	**122 605 474**	**175 802 760**

General expenses	Contribution to landfill site	Audit fees	General expenses	Total
Figures as per AFS 30 June 2014	-	-	144 651 945	144 651 945
Figures as per AFS 30 June 2014	3 047 000	2 130 240	-	5 177 240
	3 047 000	2 130 240	144 651 945	149 829 185
	(3 047 000)	(2 130 240)	5 177 240	-
Figures now published as per AFS 30 June 2014	**-**	**-**	**149 829 185**	**149 829 185**

45. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality’s operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Directorate :Treasury monitors and manages the financial risks relating to the operations through internal policies and procedures . These risks includes interest rate risk, credit risk and liquidity . Compliance with policies and procedures is reviewed by internal auditors on a continuous basis,and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit,responsible for initiating a control framework and monitoring and responding to potential risk ,reports quarterly to the municipality's audit committee,an independent body that monitors the effectiveness of the internal audit function.

45. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At June 30,2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade payables	106 897 449	-	-	-	106 897 449
Other financial liabilities	6 373 764	6 904 096	22 848 900	10 957 496	47 084 256
	113 271 213	**6 904 096**	**22 848 900**	**10 957 496**	**153 981 705**

At June 30,2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade payables	116 557 432	-	-	-	116 557 432
Other financial liabilities	6 373 764	6 904 096	22 848 900	10 957 496	47 084 256
	122 931 196	**6 904 096**	**22 848 900**	**10 957 496**	**163 641 688**

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2015**	**2014**
Receivables from Non-exchange transactions	61 199 008	53 197 286
Receivables from exchange transactions	125 956 659	122 605 473
Long-term debtors	9 135 596	10 034 040
Cash , bank and cash equivalents	91 828 756	150 715 422

46. Going concern assessment

The management considered the following matters relating to the Going Concern.

(i) The Council adopted the 2015/16 - 2018/19 Budget . This three year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of the municipal services to residents reflected that the Budget was cash backed over the three year period.

Figures in Rand	2015	2014

46. Going concern assessment (continued)

(ii) The municipality's budget is subjected to a very rigorous independent assessment process to assess its cash -backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting , highlighting the actual cash position , including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy rates, tariffs and charges , this will results in an ongoing inflow of revenue to support the ongoing delivery of municipal services . Certain key financial ratios , such as liquidity , cost coverage , debtor's collection and creditor's payment terms are closely monitored and necessary corrective actions instituted.

Taking the aforementioned into account , management has prepared the Annual Financial Statements on the Going Concern Basis.

47. Events after the reporting date

No material facts and circumstances have occurred between the accounting date and the date of this report that would have an impact on the financial statements.

48. Unauthorised expenditure

Unauthorised expenditure	-	18 112 545
Less : Condoned during the year	-	(18 112 545)
	-	-

There was no unauthorised expenditure to be disclosed in the year under review.

49. Fruitless and wasteful expenditure

Opening balance	-	62 820
Fruitless and Wasteful Expenditure -current year	-	99 260
Less: Amount condoned by council	-	(162 080)
	-	-

Notes to the Financial Statements

Figures in Rand	2015	2014

50. Irregular expenditure

Opening balance	1 229 757	8 149 593
Add: Irregular Expenditure - current year	964 655	2 720 578
Less: Amounts condoned	(1 229 757)	-
Less: Amounts recoverable (not condoned)	-	(9 640 414)
	964 655	**1 229 757**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Three quotations were not obtained for the advertising of the Mayoral awards amounting to R15 754.12 resulting in contravention of the SCM processes.	A detailed report will be forwarded to Council to condone the irregular expenditure	15 754
The Supply Chain Processes (SCM) were not followed for the procurement of rental storage amounting to R157 320.	A detailed report will be forwarded to Council to condone the irregular expenditure	157 320
The SCM processes were not followed for the services to assist with productivity of employees in a working environment at Community services and DHSI departments.	A detailed report will be forwarded to Council to condone the irregular expenditure	45 375
The SCM processes for provision of X-rays services to employees was not followed . The amount for the year to DR Khan is R31 320.	A detailed report will be forwarded to Council to condone the irregular expenditure	31 320
No responses were received after the three quotations were sent to potential service providers of the voice recording system used by committee clerks . The amount paid is R63 759.	A detailed report will be forwarded to Council to condone the irregular expenditure	63 759
Payments amounting to R92 016.80 to Lexis Nexus for the provsion of Local Government Library Legislations did not follow normal SCM processes.	A detailed report will be forwarded to council to condone the irregular expenditure	92 017
Various payments to Non-profit organisations amounting to R462 292 did not follow normal tender /quotation processes resulting in irregular expenditure.	A detailed report will be forwarded to council to condone the irregular expenditure	462 292
SCM processes were not properly followed for the accomodation of the finance officials at the IMFO conference	A detailed report will be forwarded to council to condone the irregular expenditure	22 718
No three quotations were obtained for the venue for Margate Airport Information Session for R56 700. This resulted in contravention of the SCM Policy.	A detailed report will be forwarded to council for condonement	56 700
No three quotations were obtained for various services amounting to R17 400 .00 . This is in contravention of the SCM.	A detailed report will be forwaded to council for condonement.	17 400
		964 655

Notes to the Financial Statements

Figures in Rand	2015	2014

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Amount paid - current year	2 660 446	2 903 000

Electricity losses

Current year	6 295 019	7 196 581

Audit fees

Amount paid - current year	2 922 523	2 072 654

PAYE and UIF

Amount paid - current year	32 434 432	29 545 432

Pension and Medical Aid Deductions

Amount paid - current year	4 164 046	39 848 743

VAT

VAT receivable	18 386 256	7 683 631
VAT payable	152 179	604 316
	18 538 435	**8 287 947**

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councilors' arrear consumer accounts

No councilors had arrear accounts outstanding for more than 90 days at 30 June 2015:

52. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements. The deviations as listed hereunder have since been condoned by council.

1. The SCM processes was not followed for Water Sampling amounting to R228 022.80 due to the supplier being the only supplier accredited by SANAS to perform the task . The reasons for these deviations were documented and reported to the council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

2. The SCM processes for payments amounting to R963 845.66 to ELB Equipment were not followed for the repairs of the Dept of Human Settlements vehicles . The repairs are only by agents approved by Dept of transport. The reasons for these deviations were documented and reported to the council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

3. Verge maintenance services amounting to R240 264.50 . Grass had to be maintained on a monthly basis to prevent overgrowing , the tender has not been finalised at this stage , the appointment is valid until new contracts can be concluded.

52. Deviation from supply chain management regulations (continued)

4. The repairs by Turner Morris amounting to R32 447.52 . The repairs can only be done by agents .. The reasons for these deviations were documented and reported to the council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

5. The SCM processes was not followed for repairs at Margate Airport amounting to R31 635.00 . The repairs were treated as urgent as there was leaks at the Margate Airport .The reasons for these deviations were documented and reported to the council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

6. The SCM processes was not followed for various repairs amounting to R52 258.25 as these repairs can only be done by agents .The reasons for these deviations were documented and reported to the council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

7. The tender for pothole repairs was cancelled at Tribunal , awaiting new tender process to be completed and pothole repairs cannot be held until the process unfolds . The amount for pothole repairs is R3 625 905. The reasons for these deviations were documented and reported to the council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

8. The SCM processes was not followed for pothole repairs amounting to R800 451 .00 to various suppliers . The tender is currently at evaluation stage, the previous tender had objections. The reasons for these deviations were documented and reported to the council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

9. The SCM processes was not followed for IT related services amounting to R560 000.00 for the Customer service Centre which needed a computerized system to refer complaints to the relevant personnel , three service providers were called to make presentation . The reasons for these deviations were documented and reported to the council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

10.No SCM processes followed for the services for R633 589.00 done at the Airport as the service provider is the only approved by SACAA for Air Traffic Control. The reasons for these deviations were documented and reported to the council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

11. The SCM processes was not followed for the repairs amounting to R1 522 779.93 to Thompson Motors due to when the tender was concluded , there was an objection that prevented the council from awarding and therefore , the tribunal processes to unfolds is awaited . The reasons for these deviations were documented and reported to council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

12. The tender for verge maintenance was concluded and there was an objection that prevented the council to award, the tribunal processes is still in progress. The amount paid to the service provider amounts to R228 252.91 . The reasons for these deviations were documented and reported to council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

13. The quotations for the transport services were above the threshold . Due to time constraints Malundi Excursions was appointed . The amount paid was R150 800 .The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

14. Various awards for services amounting to R454 088.21 . The SCM processes were not followed as these were regarded as being emergencies , sole service provider etc. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

53. Budget differences

Material differences between budget and actual amounts

It is general practice to deem that a 10% deviation on operational revenue and expenditure versus the final budget as material.

1. Service Charges (11% Under) . The reason for under collection is the refuse charges not collected according to the budget.

53. Budget differences (continued)

2.Licences and Permits (14% Under) . Revenue anticipated not fully collected.

3.Government Grants and Subsidies (47% Under) . The reason is the GRAP 23 implementation.

4.Fines (283% Under) . The reason is the IGRAP 1 that was effective in the current year.